

Winners of the 2000 National LEAN
University of Alberta
1-15 Business Building
Edmonton, Alberta T6G 2R6

awinningstrategy



LEROUX



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Leroux Steel is committed to the just-in-time delivery of a wide range of steel products. We will continue to evolve by investing in human resources as well as in our capacity to meet customer demand for value-added service and reliable delivery. We intend to remain the industry's most responsive steel service centre and to grow with our customers, shareholders and suppliers while maintaining pride in our people and a commitment to our business.

financial highlights

(in thousands of dollars except per-share and other data as noted)

Financial performance

| | October 28, 2000 | October 31, 1999 | October 31, 1998 | October 31, 1997 | October 31, 1996 |
|--------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Shipments (in tons) | 871,760 | 796,345 | 615,800 | 500,400 | 411,600 |
| Sales | \$ 680,961 | \$ 586,911 | \$ 495,385 | \$ 370,649 | \$ 311,450 |
| Average selling price (\$/ton) | \$ 781 | \$ 737 | \$ 804 | \$ 740 | \$ 757 |
| EBITDA | \$ 57,631 | \$ 31,759 | \$ 33,411 | \$ 21,039 | \$ 21,559 |
| Net earnings | \$ 20,588 | \$ 8,251 | \$ 12,064 | \$ 9,779 | \$ 9,687 |
| Return on average equity (%) | 16.4% | 7.4% | 11.8% | 10.7% | 12.9% |
| Cash flow | \$ 29,241 | \$ 14,011 | \$ 17,697 | \$ 13,244 | \$ 12,918 |

Financial position

| | | | | | |
|---|------------|------------|------------|------------|------------|
| Total assets | \$ 398,532 | \$ 352,868 | \$ 315,949 | \$ 243,892 | \$ 175,375 |
| Long-term debt ¹ | \$ 50,315 | \$ 52,455 | \$ 52,525 | \$ 37,299 | \$ 21,901 |
| Convertible debentures (liability) ¹ | \$ 7,467 | \$ 8,526 | \$ 9,615 | \$ 10,459 | \$ 11,212 |
| Total indebtedness ² | \$ 164,707 | \$ 154,908 | \$ 144,087 | \$ 86,127 | \$ 44,016 |
| Equity | \$ 136,327 | \$ 114,213 | \$ 108,276 | \$ 96,455 | \$ 86,022 |

Per-employee data

| | | | | | |
|---|----------|---------|---------|---------|---------|
| Number of employees at year-end | \$ 1,127 | 1,115 | 947 | 817 | 579 |
| Shipments per employee (in tons) ³ | 753 | 764 | 712 | 733 | 764 |
| Sales per employee ³ | \$ 589 | \$ 563 | \$ 573 | \$ 543 | \$ 578 |
| EBITDA per employee ³ | \$ 50.0 | \$ 30.5 | \$ 38.6 | \$ 30.8 | \$ 40.0 |
| Assets per employee ⁴ | \$ 325 | \$ 316 | \$ 334 | \$ 299 | \$ 303 |

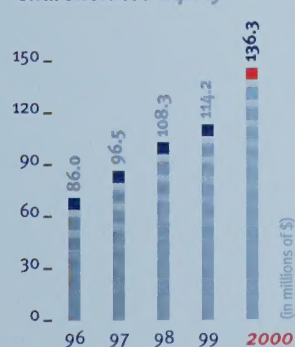
Per-share data

| | | | | | |
|-------------------------|----------|---------|---------|---------|---------|
| Net earnings | | | | | |
| Basic | \$ 1.90 | \$ 0.72 | \$ 1.05 | \$ 0.83 | \$ 0.83 |
| Fully diluted | \$ 1.41 | \$ 0.59 | \$ 0.82 | \$ 0.67 | \$ 0.72 |
| Cash flow | \$ 2.78 | \$ 1.31 | \$ 1.61 | \$ 1.18 | \$ 1.14 |
| Book value ⁵ | \$ 11.12 | \$ 9.11 | \$ 8.44 | \$ 7.13 | \$ 6.22 |

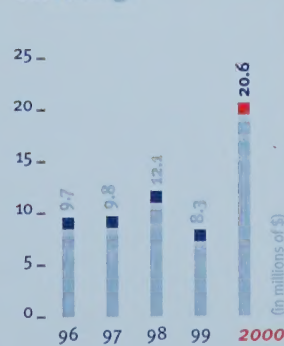
4- Based on the number of employees at year-end
5- Excluding the equity component of convertible debentures

1. Including current portion
2. Including long-term debt, bank loans and overdraft and the liability component of convertible debentures
3. Based on the weighted average number of employees in service during the year

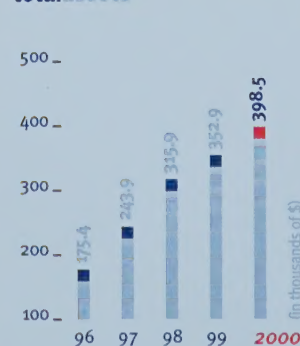
shareholders' equity



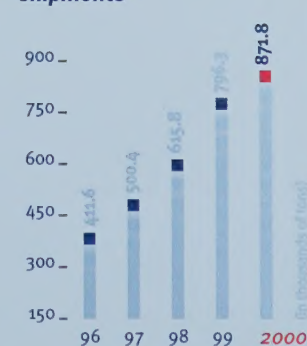
net earnings



total assets



shipments





a winning

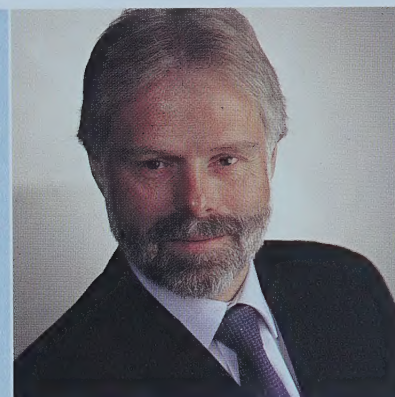
LerouxSteelInc.

2

16%
sales growth

*For the 3rd consecutive year,
we have met our goal of 15% annual growth*

message *to* shareholders



Leroux Steel enjoyed unprecedented earnings in the 2000 fiscal year. Net profit more than doubled, reaching \$20.6 million or \$1.90 per share (\$1.41 fully diluted), compared to \$8.2 million or \$0.72 per share (\$0.59 fully diluted) the previous year. More impressive, success was achieved mostly from productivity gains and internally generated growth. It demonstrates our ability to put assets to work and to successfully compete internationally.

UNPRECEDENTED PERFORMANCE

During 2000, as expected, we benefited from sustained demand for steel products in all our geographic markets. In total, Leroux Steel processed and shipped 872,000 tons of steel, 10% more than the previous year. Coupled with a recovery in selling prices, the increase boosted revenues by 16% to \$681 million.

Along with initiatives aimed at stimulating internal growth, we devoted considerable efforts toward perfecting operational procedures to increase efficiency in each of our distribution centres.

Each of our Vice-Presidents implemented specific action plans aimed at maximizing our production capacity and our potential for synergies in all our markets. These efforts have clearly proved their worth and we are determined to go even further next year.

BUOYANT MARKETS

Quebec

By taking advantage of our extensive distribution network and our diverse range of products and services, sales in the Quebec region continued to grow and accounted for more than 40% of our total revenues.

The opening of the Terrebonne centre last June put the crowning touch on a vast infrastructure reorganization program, which was implemented over the last few years to increase network efficiency. The new complex focuses on value-added cutting services and combines both Marshall Steel's and Royaltcor Steel's activities under one roof.

The two service centres specialized in structural beams and steel tubing respectively. These centres now have spacious and functional facilities with the latest technology equipment, enabling them to offer a broader range of processing services with a higher degree of efficiency. The integration of their activities was nearly complete on October 28, 2000. We expect to benefit from the effects of this initiative during the current fiscal year.

The addition of a new service centre in Sept-Îles at the beginning of the fiscal year confirms the strong presence of Leroux Steel throughout Quebec. Our network now comprises 13 service centres.



Leroux Steel intends to
increase production capacity
through its new re-engineering programs

A row of seven small squares in white, light blue, and dark blue.

a winning

LorouxSteelInc.

6

81%

EBITDA growth

*All of our profitability ratios have tremendously improved
over the last fiscal year*

Ontario and the Maritimes

Sales in the Ontario and Maritimes regions have constantly progressed and now represent 28.8% of total sales. Our expansion strategy is based on the model that has worked so well in Quebec. Our network relies on a mega-centre located in Cambridge, inaugurated in June 1999, together with three specialized centres that focus on value-added services. As expected, the Cambridge centre contributed substantially to the growth and profitability of our Ontario activities in the last fiscal year. Although it opened less than two years ago, it has already achieved a volume of more than 65,000 tons.

Our Guelph centre, closer to Toronto, has also performed well. The centre, which specializes in steel tubing, has become known for its value-added cutting services, which account for more than 50% of its shipments. In addition, our Ennisteel division has contributed greatly to Leroux Steel's results in the Ontario region, demonstrating the success of its partnership program with steel frame producers. Under this program, Ennisteel supplies complete steel product procurement for various construction projects, based on plans and drawings submitted.

In the Maritimes, where Leroux Steel operates two service centres, we worked hard last year to refine marketing methods. We consolidated and redeployed our sales team. We have been active in the region for only four years, but already it provides more than 6% of our revenues. By relying on our just-in-time delivery policy and on our processing services, we are confident we can rapidly build greater market share.

The United States

Last year, Leroux Steel boosted performance considerably in the U.S.A. Reorganisation of the management team and decentralization of activities enabled us to resolve certain operational problems we had encountered the previous year. Increasing shipments and the recovery in steel prices, together with tighter inventory controls and lower operating costs, all combined to push operating profit up.

The U.S.A., which accounts for nearly 60% of North America's 140-million-ton annual steel demand, is a highly promising market for Leroux Steel. Due to our broad territorial coverage, product diversity, extensive processing capacity and flexibility of our service, we are one of the steel distributors best placed to leverage this potential.

We expect the U.S.A. to play a considerable role in our growth. We have been active in the region for only six years and it already generates 31% of our revenues. By capitalizing on advantages provided by our seven U.S.A. service centres, we are well-positioned to capture a growing share of this market.

REAL ASSETS

Our vast expansion, modernization and consolidation program during the last few years provides Leroux Steel with several competitive advantages. We are relying on these assets to sustain earnings and boost growth.

❖ *Strategic positioning*

With 26 service centres spread strategically across eastern North America and the Midwest, Leroux Steel benefits from excellent territorial coverage, enabling it to ship products in 6 Canadian provinces and 25 U.S.A. states.

❖ *Modern installations*

During the last few years, all Leroux Steel service centres have each been modernized and renovated. The goal is optimal performance in network operations. The company can easily sustain future growth. Current shipments of 872,000 tons take up only 70% of total capacity.

❖ *A diversified product range*

Unlike most steel distributors who specialize in the sale of specific products, Leroux Steel stocks more than 3,000 distinct products, maintaining one of the broadest range of inventory on the market. Customers can find all they need under a single roof, whatever the nature or size of their projects.

❖ *Value-added services*

Thanks to its expertise and leading-edge facilities, Leroux Steel offers a wide diversity of value-added processing services to distinguish it from the competition. Processed products account for more than one-third of total shipments. Due to growing demand, the proportion is expected to rise in the future.

❖ *An efficient distribution network*

The efficiency of Leroux Steel's distribution network enables it to provide just-in-time delivery throughout the territory it serves. The reliability and quickness of our service contribute to the continued loyalty demonstrated by our large customer base.



strategy

annual report 2009

New high-tech installations
will notably increase the
efficiency and profitability
of our operations

a winning

Steelcase

10

139%

diluted EPS growth

*Fully diluted earnings rose to \$1.41 per share
compared to last year's \$0.59*

A FEW REVEALING FIGURES

These innovative
importantly
ratios drove

Our growth
more than
10.8% and

And we were
contributing

The first
give six days
riserous
more efficient
of optimism

CHALLENGES AND OUTLOOK

Although 2000-2001 will present a host of challenges, we expect another good year for Leroux Steel. However, we will require solid production conditions in the first half, followed by a price recovery in the second half.

Excess capacity, low steel and scrap prices, as well as excess inventories throughout the industry, started to affect our production in the fourth quarter. Our average selling price declined by 2.3% in the fourth quarter from \$787 per tonne compared to the preceding quarter. We believe prices will continue to drop until Spring 2001, after which they may recover. Even so, the impact of possible anti-dumping actions by the Canadian and U.S.A. governments, coming in the second half, may well be felt.

In addition, due to the rise in interest rates imposed by the U.S.A. central bank, the North American economy is suffering a severe effect of monetary tightening. Construction has slowed, particularly in the U.S.A., where it is expected to drop 4% to 5% in 2001.


As management, we will continue to take advantage of our competitive strengths and productivity gains in order to reduce the impact of these circumstances on our results.

For the duration of our tenure, we are confident we will experience yet another year of solid growth and healthy productivity. Our challenges that await us.

On behalf of the Board of Directors, I would like to express my gratitude to all members of the Leroux Steel team for their valuable contribution to the prosperity of our Company. I also want to thank our customers, suppliers and business partners for their support and confidence. To our shareholders, I repeat our commitment and determination to long-term growth and investment.



Gilles Leroux,
Chairman and Chief Executive Officer



strategy

Leroux Steel's success depends on
the strength of it's team

management **discussion and analysis**

of operating results and financial position



OPERATING RESULTS

During the year ended October 28, 2000, Leroux Steel delivered 872,000 tons of steel, nearly 10% more than the previous period. This growth, mainly internally generated, demonstrates the success of steps taken toward optimization of our network's productive capacity. These initiatives and the strong North American demand for steel products, contributed to increased sales in all our geographic markets.

As expected, the recovery in steel prices that began in August 1999, continued through most of fiscal 2000. Our average selling price rose 6% last year, from \$737 to \$781 per ton.

With selling prices higher and shipments up, revenues climbed 16% to \$681.0 million, compared to \$586.9 million in 1999. For the third consecutive year, we have met our goal, set out in our strategic business plan, of 15% annual growth.

During fiscal 2000, Ontario stood out with a 41% sales increase from the previous period. In the Maritimes and in Quebec, sales rose 12% and 4% respectively. Leroux Steel benefited in all regions from the full contribution of service centres acquired or established during 1999. U.S.A. sales also demonstrated strong growth, increasing by 20% compared to the previous year. This performance is due in part to a strong price recovery, which was more pronounced in the U.S.A. than in Canada. Measures implemented during the fiscal 2000 to maximize the potential of our U.S.A. network also contributed. The U.S.A. now accounts for more than one-third of our total revenues.

Earnings before interest, tax, depreciation and amortization (EBITDA) jumped 81% to reach a record \$57.6 million, equal to 8.5% of sales. This compares to \$31.8 million or 5.5% of sales in 1999. Two factors contributed to this performance: the increase in gross margins resulting from higher selling prices during the first nine months and productivity gains achieved throughout the fiscal year.

Interest expense rose by \$3.5 million during 2000 to \$13.8 million. Interest on long-term debt rose by \$596,000, due to higher interest rates. Meanwhile, interest on short-term debt climbed from \$5.9 million to \$8.8 million due to greater use of bank credit to finance higher inventories, especially in the second half of the year. Fixed asset acquisitions during fiscal 2000 were financed entirely from cash flow.

Amortization of fixed assets rose from \$5.4 million to \$7.8 million during fiscal 2000, with the consolidation of our two Laval centres at a new complex in Terrebonne and the opening of a service centre in Sept-Îles, on Quebec's north shore. The construction of our Ottawa centre, the amortization of the Cambridge installations over the full year and the acquisition of machinery and equipment also contributed to higher amortization costs.

Profit before taxes and other elements increased sharply to \$36.3 million in 2000, from \$16.3 million in 1999. Despite this, the effective tax rate was nearly 5% lower than in the previous year, returning to a more representative 42.0%, compared to 46.3% in 1999. This latter rate was unusual, resulting from corrections in the calculation of U.S.A. taxes.

Leroux Steel closed the 2000 fiscal year with a net profit of \$20.6 million, up sharply from \$8.2 million the previous year. Earnings per share rose to \$1.90 (\$1.41 fully diluted) based on a weighted average of 10,530,823 outstanding shares, compared to \$0.72 (\$0.59 fully diluted) based on a weighted average of 10,681,316 outstanding shares in 1999.

QUARTERLY RESULTS

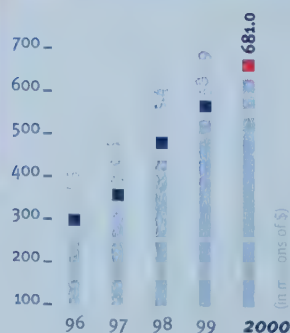
Quarterly results for fiscal 2000 show a continuous rise in shipments. However, year over year, shipments grew by 36% and 21% during the first two quarters compared to Q1 and Q2 of 1999, while shipments in the third and fourth quarters of 2000 were slightly lower than those in Q3 and Q4 of 1999. Lower volumes in the second half of the year are attributable to an industry slowdown, particularly in the U.S.A., as well as massive imports from Asia and Eastern Europe beginning in August 2000.

geographic

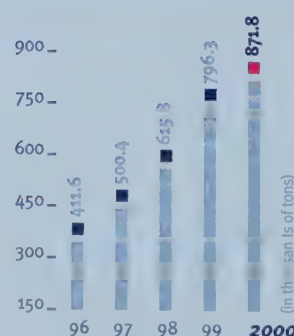


40% ● 23%
31% ● 6%

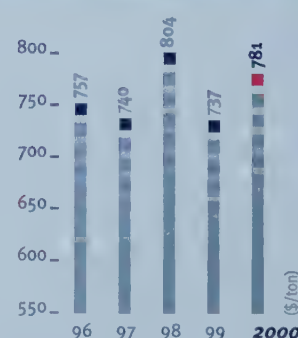
sales



shipments



average selling price





From a peak of \$747 a ton in the fourth quarter of 1999, our average selling price jumped to \$786 a ton in the first quarter of 2000 and remained close to that level during the following two quarters. In the fourth quarter, a sharp rise in imports along with sagging demand, put downward pressure on our selling price, which fell to \$761 a ton.

Year over year, net profit growth was strongest during the first three-quarters of fiscal 2000. However, the fourth quarter was less profitable than expected. A slowdown in deliveries, a rise in interest rates and a lower selling price all affected profit levels during the quarter. This lower profit is also due to an increase in the cost of merchandise sold. This adjustment covers the entire fiscal year.

CHANGES IN CASH

During fiscal 2000, cash flow rose to \$29.2 million or \$2.78 per share, compared to \$14.0 million or \$1.31 per share, in 1999. The jump was due to increased net profit. Working capital absorbed \$28.9 million in liquidity due mostly to an increase in year-end inventories. As a result, operating activities created net cash inflows of \$300,000, compared to \$36.6 million in 1999.

Investment activities in fiscal 2000 absorbed \$10.8 million, of which \$10.5 million went toward the acquisition of fixed assets. Projects included the \$5.9-million consolidation of our two Laval centres at a new Terrebonne complex and the rearrangement of our Ottawa centre. These initiatives completed the network modernization and strengthening program which we have been working on over the last couple of years. We also invested in steel processing machinery and equipment.

The past year's investments were financed entirely from cash flow. Leroux Steel did not require new long-term lending during fiscal 2000. However, bank loans rose by \$13.6 million. As part of its share buyback program, the Company bought 32,200 Class B subordinated voting shares for a total of \$166,000.

The changes in financial position described above, along with other transactions during the year, generated \$500,000 in liquidity. As a result, the treasury held a bank overdraft of \$2.9 million at the end of fiscal 2000 compared to \$3.4 million a year earlier.

FINANCIAL POSITION

Leroux Steel's total assets jumped 13% to \$398.5 million in 2000, up from \$352.9 million a year earlier. The increase was due to higher inventory, which went from \$134.2 million to \$170.9 million, due to less favorable selling conditions in the second half of the year. Low-priced imports and excess supply hurt the entire North American steel industry during this period.

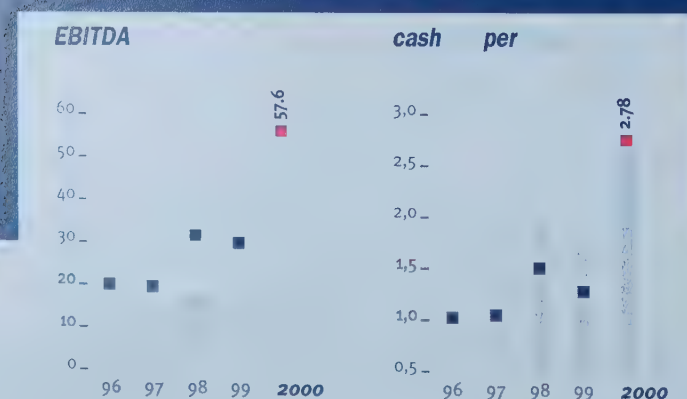
To a lesser degree, the growth in current assets also arose from an increase in accounts receivable, which went from \$122.8 million the previous year to \$127.6 million. Fixed assets increased by \$3.9 million, to \$94.3 million during fiscal 2000, following the modernization of installations and establishment of new service centres.

Total liabilities stood at \$262.2 million at the end of fiscal 2000, up 9.9% from the previous year. This variation was due mainly to three factors: higher bank lending, which went from \$90.5 million to \$104.1 million for reasons previously mentioned; the rise in accounts payable resulting from increased activities; and \$6 million in added tax liabilities. Current liabilities rose by \$25.8 million, reaching \$203.1 million.

Working capital climbed 19.4% to \$97.5 million as at October 28, 2000, compared to \$81.7 million a year earlier. The working capital ratio rose to 1.48 from 1.46 the previous year.

Long-term debt, including the short-term portion, declined \$2.1 million to \$50.3 million. The debt-to-equity ratio dropped to 0.37 from 0.46 in 1999. Total debt represented 54% of capital invested at the end of fiscal 2000, compared to 58% a year earlier.

Shareholders' equity jumped 19% from \$114.2 million on October 31, 1999 to \$136.3 million on October 28, 2000. This growth is mainly due to the net profit recorded during the year. Book value per share rose 22% to \$11.12.



RISKS AND

Leroux Steel has attempted to mitigate the effect of cyclical price fluctuations in the steel industry through increasingly effective management of inventories and operating expenses. Diversification in products and services, suppliers and geographic markets has enabled the Company to reduce the impact of downward fluctuations likely to affect certain markets or product categories.

Leroux Steel is exposed to variations in exchange rates due to the fact it conducts a substantial portion of its activities in foreign currency. To manage this risk, the Company uses foreign exchange contracts when required.

Leroux Steel is vulnerable to major interest rate increases due to its debt level and the effect these increases can have on business investment and thus on demand for steel products. Management seeks to mitigate the impact of rate increases through derivative instruments such as interest rate caps and swaps.

OUTLOOK

Compared to the successful year just ended, the 2001 fiscal year is looking more difficult. Since last autumn, the North American steel industry has once again been having to face a wave of imports as well as excess inventories that are increasing the pressures on steel prices. We expect this downward movement will continue until the spring of 2001. Prices should move up again following a return to normal inventory levels, which will create a better balance between supply and demand. We thus project a decline in profit margins during the first half of 2001.

In addition, a rise in interest rates slowed construction activity starting in the late summer, especially in the United States, where Leroux Steel does more than 30% of its business. The North American economy is generally showing signs of running out of steam, and this weighs heavily on steel demand.



Despite weaker market conditions, we remain relatively optimistic about Leroux Steel's performance in 2001, more specifically the second half. We expect to benefit from diversification in our product line and our value-added processing services. These should help absorb the impact of slower demand. We will soon enjoy the full benefit of our new high-tech service centre in Terrebonne, which has been run through its paces.

We will continue to emphasize operational efficiency throughout our network. This should enable us to maintain our operations at lower cost. In addition, we are counting on this year's process re-engineering program to improve yields. We expect to increase competitiveness and sustain growth during fiscal 2001.

Nearly \$9 million will be invested in fixed assets in 2001, most of it linked to our re-engineering project. We do not foresee any acquisitions or new service centres this year. We intend to continue our share buyback program in the normal course of activities. We estimate that our current cash flow and credit facilities will be sufficient to finance continuing activities and investment during fiscal 2001.

Serge Bergeron, CGA,
Vice-President, Finance and Administration

financial section

Leroux Steel Inc.

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management's

Management is responsible for the integrity and fair representation of the consolidated financial statements and other information in the annual report. The consolidated financial statements have been prepared in accordance with generally accepted accounting principles. Financial and operating data elsewhere in the annual report are consistent with those contained in the consolidated financial statements.

The Company's policy is to maintain systems of internal accounting and administrative controls of high quality consistent with reasonable cost. Such systems are designed to provide assurance that the financial information is accurate and reliable and that assets are adequately accounted for and safeguarded.

The consolidated financial statements have been reviewed by the Audit Committee and have been approved by the Board of Directors. In addition, the consolidated financial statements have been audited by Arthur Andersen & Cie, General Partnership, Chartered Accountants.

In the opinion of management, these financial statements incorporate, within reasonable limits, all important elements and data available at December 1, 2000.



Gilles Leroux
Chairman of the Board and Chief Executive Officer
December 1, 2000

auditors' report

The Shareholders of Leroux Steel Inc.

We have audited the consolidated balance sheet of Leroux Steel Inc. as at October 28, 2000 and the consolidated statements of income, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at October 28, 2000 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The consolidated financial statements as at October 31, 1999 and for the year then ended were audited by other auditors who expressed an opinion without reservation on those statements in their report dated December 9, 1999.



Arthur Andersen & Cie
General Partnership
Chartered Accountants
Montreal, December 1, 2000

consolidated balance sheets

as at October 28, 2000 and October 31, 1999 (in thousands of dollars)

| | October 28, 2000 | |
|---|---------------------|------------|
| ASSETS | | |
| CURRENT | | |
| Accounts receivable | \$ 127,609 | |
| Inventories | 170,884 | |
| Prepaid expenses | 2,074 | |
| | 300,567 | |
| INVESTMENTS (Note 6) | 943 | |
| CAPITAL ASSETS (Note 7) | 94,279 | |
| GOODWILL, at amortized cost | 1,876 | |
| DEFERRED CHARGES, at amortized cost (Note 8) | 630 | |
| OTHER ASSETS, at cost | 237 | |
| | \$ 398,532 | |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| CURRENT | | |
| Bank overdraft | \$ 2,851 | |
| Bank loans (Note 9) | 104,074 | |
| Accounts payable | 84,039 | |
| Income taxes payable | 9,301 | |
| Deferred income taxes | 102 | |
| Current portion of debt component of the convertible debentures (Note 13) | 1,186 | |
| Current portion of long-term debt (Note 10) | 1,521 | |
| | 203,074 | |
| LONG-TERM DEBT (Note 10) | 48,794 | |
| DEFERRED INCOME TAXES | 2,059 | |
| NON-CONTROLLING INTEREST | 1,997 | |
| DEBT COMPONENT OF THE CONVERTIBLE DEBENTURES (Note 13) | 6,281 | |
| | 262,205 | |
| COMMITMENTS (Note 11) | | |
| SHAREHOLDERS' EQUITY | | |
| Share capital (Note 12) | 35,076 | |
| Convertible debentures (Note 13) | 19,192 | |
| Cumulative foreign currency translation adjustment | 2,407 | |
| Retained earnings | 79,652 | |
| | 136,327 | |
| | \$ 398,532 | \$ 398,532 |

Approved on behalf of the Board of Directors,



Gilles Leroux,
Director



Serge Bergeron, CGA,
Chief Financial Officer

consolidated statement of income

ended October 28, 2000 and October 31, 1999 (in thousands of dollars)

| | October 28, 2000 | October 31, 1999 |
|---|---------------------|---------------------|
| NET SALES | \$ 680,961 | \$ 586,911 |
| COST OF SALES AND EXPENSES | | |
| Cost of sales and operating expenses | 622,871 | 554,665 |
| Interest on long-term debt and on convertible debentures | 5,020 | 4,424 |
| Other interest | 8,796 | 5,901 |
| Amortization - capital assets | 7,760 | 5,375 |
| Amortization - goodwill | 163 | 170 |
| Amortization - deferred charges | 64 | 116 |
| | 644,674 | 570,651 |
| Income before income taxes and other items | 36,287 | 16,260 |
| INCOME TAXES (Note 4) | 15,240 | 7,822 |
| Income before other items | 21,047 | 8,438 |
| SHARE IN EARNINGS OF THE COMPANY SUBJECT TO SIGNIFICANT INFLUENCE | 110 | 37 |
| NON-CONTROLLING INTEREST | (569) | (124) |
| Net income | \$ 20,588 | \$ 8,251 |
| EARNINGS PER SHARE | \$ 1.90 | \$ 0.72 |
| EARNINGS PER SHARE-FULLY DILUTED | \$ 1.41 | \$ 0.59 |
| AVERAGE NUMBER OF SHARES OUTSTANDING DURING THE YEAR | 10,530,823 | 10,681,316 |

consolidated statement of retained earnings

ended October 28, 2000 and October 31, 1999 (in thousands of dollars)

| | October 28, 2000 | October 31, 1999 |
|--|---------------------|---------------------|
| BALANCE, beginning of year | \$ 59,721 | \$ 52,404 |
| Net income | 20,588 | 8,251 |
| Accretion of equity component of the convertible debentures (less income taxes of \$385 (1999 - \$353)) | (628) | (576) |
| Premium on purchase of Class A shares | (1) | (111) |
| Premium on purchase of Class B subordinate shares | (28) | (247) |
| BALANCE, end of year | \$ 79,652 | \$ 59,721 |

consolidated statements of cash flows

For the years ended October 28, 2000 and October 31, 1999 (in thousands of dollars)

| | October 28, 2000 | October 31, 1999 |
|---|---------------------|---------------------|
| OPERATING ACTIVITIES | | |
| Net income | \$ 20,588 | \$ 8,454 |
| Items not affecting cash: | | |
| Amortization | 8,020 | 2,111 |
| Non-controlling interest | 569 | 534 |
| Deferred income taxes | 164 | (234) |
| Loss (gain) on disposal of capital assets | 10 | (187) |
| Share in earnings of the company subject to significant influence | (110) | (1) |
| | 29,241 | 10,697 |
| Net changes in non-cash working capital items | (28,870) | 33,025 |
| | 371 | 14,722 |
| INVESTING ACTIVITIES | | |
| Business acquisition (Note 5) | — | (26,497) |
| Proceeds from disposal of investments | 11 | 3 |
| Acquisition of capital assets | (13,147) | (19,121) |
| Proceeds from disposal of capital assets | 2,628 | 909 |
| Deferred charges | (381) | (294) |
| Acquisition of other assets | (5) | (73) |
| Proceeds from disposal of other assets | 48 | — |
| | (10,846) | (44,073) |
| FINANCING ACTIVITIES | | |
| Changes in bank loans | 13,574 | 31,384 |
| Increase in long-term debt | 511 | 2,304 |
| Repayment of long-term debt | (2,651) | (2,371) |
| Issue of Class B subordinate shares | 80 | 300 |
| Purchase of Class A shares | (1) | (137) |
| Purchase of Class B subordinate shares | (166) | (1,535) |
| Accretion, net of income taxes, of the equity component of the convertible debentures | (628) | — |
| | 10,719 | 9,945 |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH | 332 | (1,326) |
| CASH AND CASH EQUIVALENTS INCREASE (DECREASE) | 576 | (536) |
| BANK OVERDRAFT, beginning of year | (3,427) | (2,891) |
| BANK OVERDRAFT, end of year | \$ (2,851) | \$ (3,427) |
| Cash flows include the following items: | | |
| Interest paid | \$ 13,940 | \$ 10,825 |
| Income taxes paid | \$ 9,036 | \$ 9,369 |

notes consolidated financial statements

(tabular amounts are in thousands of dollars)

1. BASIS OF INCORPORATION AND NATURE OF ACTIVITIES

The Company, incorporated under Part 1A of the Québec Companies Act, operates mainly as a steel products distributor in Canada and the United States.

2.

a Consolidation

The consolidated financial statements, expressed in Canadian dollars, include the accounts of the Company and those of its subsidiaries:

| Subsidiaries name | Ownership interest |
|---|--------------------|
| Poutrelles Delta Inc. and its subsidiary Delta Steel Joist Inc. | 66.67% |
| Armabec Inc. | 100% |
| La corporation d'Acier Richler | 100% |
| Federal Pipe and Steel Corporation | 100% |
| E. Ennis and Company Limited | 100% |
| Boen Steel Corp. | 100% |

b Use of estimates

The presentation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

c Foreign currency translation

Self-sustaining subsidiaries

The financial statements of self-sustaining subsidiaries are converted according to the current rate method. Based on this method, assets and liabilities are converted at the exchange rate in effect at the balance sheet date and revenue and expense items are translated at the average year rate. Translation adjustments resulting from exchange rate fluctuations are included in Cumulative foreign currency translation adjustment in the Shareholders' Equity.

Foreign currency transactions

Transactions concluded in foreign currencies are translated according to the temporal method. Therefore, monetary assets and liabilities are translated into Canadian dollars at the exchange rate prevailing at year-end and nonmonetary assets and liabilities at their historical rate. Revenue and expense accounts are translated using the average exchange rates prevailing during the year, except for inventories and amortization which are translated at their historical rates. Translation gains and losses are included in the statements of income.

d Derivative financial statements

The Company manages its foreign exchange exposure through the use of derivative financial instruments. Derivatives used are part of the Company's risk management strategy, are initially designated as an hedge, and their effectiveness is monitored on a constant basis. The Company does not use derivatives for trading purposes.

e Inventory valuation

Inventories are valued at the lower of cost and net realizable value, the cost being determined using the average cost method.

f Investments

The interest in the company subject to significant influence is accounted for using the equity method.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT.)

g. Capital assets

Capital assets are recorded at cost.

Amortization of capital assets is calculated at the following methods and rates:

| | Methods | Rates |
|--|---------------------|-------------|
| Buildings | Straight-line | 2½ and 5% |
| Land improvements | Straight-line | 5% |
| Machinery and equipment | Straight-line | 5 and 10% |
| Leasehold improvements | Straight-line | 12½ and 20% |
| Automotive equipment | Straight-line | 20% |
| Planes | Diminishing balance | 15% |
| Furniture | Diminishing balance | 20% |
| Office technology, computer and telephone systems | Straight-line | 8% and 33⅓% |

h. Goodwill

Goodwill is recorded at cost and amortized over a 15 year period, using the straight-line method. The Company assesses annually the fair value of the unamortized cost of goodwill and the period over which the economic benefits will subside. The fair value is based on the sales from current customers and an estimate of future operating profit.

i. Deferred charges

Issue expenses related to the debt component of the debentures are amortized on the straight-line method over the term of the debentures.

Pre-operating expenses are amortized on a straight-line basis over three and five years.

The Information Management System project expenses are amortized on the straight-line method over a five year period.

j. Net earnings per share

To calculate the net earnings per share, the accretion of the equity component of the convertible debentures is deducted from net income.

The net earnings per share is determined by using the weighted average number of shares outstanding during the year.

k. Pension plan

The Company has defined benefit pension plans covering certain of its employees. The cost of pension benefits earned by employees is determined using the projected benefit method prorated on services. Pension costs are determined periodically by independent actuaries.

Pension expense is charged to operations and includes:

- i. the cost of pension benefits provided in exchange for employees' services rendered during the year,
- ii the interest cost of pension obligations, the return on pension fund assets and the amortization of cumulative unrecognized net actuarial gains and losses in excess of 10% of the greater of the projected benefit obligation or market-related value of plan assets over the expected average remaining service life of the employee group covered by the plans.

The pension plans are funded through contributions determined in accordance with the projected unit credit actuarial cost method.

l. Cash and cash equivalents

The Company's cash and cash equivalents include bank overdraft representing outstanding cheques. Bank loan or bank overdraft representing credit facility is not included in cash and cash equivalents. It is considered as a financing activity.

3. CHANGE IN ACCOUNTING POLICY

During the year 2000, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants concerning the employee future benefits. The effect of the resulting change from the accounting policies applied in the previous years has been accounted for on a prospective basis and had no significant impact on the results of the year ended October 28, 2000.

| | October 28, 2000 | October 31, 1999 |
|--|---------------------|---------------------|
| Reconciliation of the basic income tax rate and the effective income tax rate: | | |
| Basic rate | 39.3% | 39.6% |
| Surtaxes and large corporations tax | 1.9 | 2.6 |
| Non-deductible items | 0.9 | 1.1 |
| Deferred income taxes adjustment | 0.5 | 5.3 |
| Recognition of previously unrecorded tax benefits of subsidiaries | (0.2) | (0.6) |
| Rate variance - US subsidiaries | (0.4) | (1.7) |
| Effective rates | 42.0% | 46.3% |
| Income taxes break down as follows: | | |
| Current | \$ 15,076 | \$ 7,756 |
| Deferred | 164 | (134) |
| | \$ 15,240 | \$ 7,522 |

5. On February 1, 1999 and March 15, 1999, the Company acquired some assets of Royalcor Steel Inc. and Marshall Steel, a division of Canam Manac group, both operating in the same industry as the Company, for cash considerations of \$19,129,456 and \$7,367,930 respectively.

| | Royalcor Steel Inc. | Marshall Steel | Total |
|----------------------|---------------------|----------------|-----------|
| Current assets | \$ 14,286 | \$ 7,368 | \$ 21,654 |
| Capital assets | 4,843 | - | 4,843 |
| Nets assets acquired | \$ 19,129 | \$ 7,368 | \$ 26,497 |

The results of operations related to these acquisitions have been included in these consolidated financial statements from the effective dates of acquisition.

| | October 28, 2000 | October 31, 1999 |
|---|---------------------|---------------------|
| Transfo-Métal Inc., held at 40% | | |
| 40,000 common shares | \$ 330 | \$ 220 |
| 150,000 non-voting preferred shares | 150 | 150 |
| Mortgage loan, 8%, payable by monthly installments up to 2004 | 463 | 474 |
| | \$ 943 | \$ 844 |

7. CAPITAL ASSETS

| | October 28, 2000 | | |
|---|------------------|-----------------------------|--------------|
| | Cost | Accumulated amortization | Net value |
| Land | \$ 9,602 | \$ - | \$ 9,602 |
| Buildings | 61,252 | 6,604 | 54,648 |
| Land improvements | 1,727 | 236 | 1,491 |
| Machinery and equipment | 30,949 | 14,271 | 16,678 |
| Leasehold improvements | 1,975 | 1,405 | 570 |
| Automotive equipment and planes | 8,487 | 5,457 | 3,030 |
| Furniture, office technology, computer and telephone systems | 14,044 | 6,158 | 7,886 |
| Deposit on planes | 374 | - | 374 |
| | \$ 128,410 | \$ 34,131 | \$ 94,279 |

7. CAPITAL ASSETS (CONT.)

| | Cost | Accumulated amortization | Net value |
|---|----------------|-----------------------------|---------------|
| Land | \$ 9,425 5 | \$ — | \$ 9,425 5 |
| Buildings | 56,960 | 5,201 | 51,759 |
| Land improvements | 1,409 | 179 | 1,230 |
| Machinery and equipment | 29,359 | 12,022 | 17,337 |
| Leasehold improvements | 1,968 | 1,367 | 601 |
| Automotive equipment and planes | 0,620 | 5,496 | 3,824 |
| Furniture, office technology, computer and telephone systems | 11,029 | 4,573 | 6,456 |
| Deposit on planes | 388 | — | 388 |
| | <u>107,158</u> | <u>29,732</u> | <u>77,426</u> |

Revenue producing properties have a cost of \$6,636,721 (1999 - \$7,447,752) and accumulated amortization of \$845,229 (1999 - \$945,999).

8. DEFERRED CHARGES

| | October 28, 2000 | October 28, 1999 |
|--|---------------------|---------------------|
| Issue expenses related to the debt component of the debentures | \$ 182 | \$ 214 |
| Pre-operating expenses | 81 | 134 |
| Information management system projects | 367 | 62 |
| | <u>\$ 630</u> | <u>\$ 410</u> |

9. BANK LOANS

The Company has credit facilities of \$85,000,000 (\$74,125,000 in 1999) with Canadian banks and of \$28,000,000 US (\$28,000,000 US in 1999) with an American bank at variable rates established under conditions described in the credit agreements. As at October 28, 2000, the effective rate was of 7.40% for Canadian loans, and at the bank's cost of funds for U.S.A. loans.

The credit facilities are secured by accounts receivable and inventories of the Company and by demand bonds of \$180,000,000 (\$150,000,000 in 1999) issued in accordance with a mortgage deed on almost all of the property in Canada.

Under the conditions of the credit agreement, the Company must satisfy certain covenants as to minimum financial ratios.

10. LONG-TERM DEBT

| | October 28, 2000 | October 28, 1999 |
|---|---------------------|---------------------|
| Term loan of a maximum of \$40,000,000, subject to the same securities of those described in Note 9 and bearing interest at variable rates established under conditions described in the credit agreement. As at October 28, 2000, the effective rate was 7.40% | \$ 39,759 | \$ 39,759 |
| Loans at rates up to 9.25%, secured by buildings having a net book value of \$11,130,886, maturing up to 2003 | 6,754 | 7,493 |
| Loans at rates up to 8.90%, secured by planes, machinery and automotive equipment having a net book value of \$5,127,585, maturing up to 2005 | 3,802 | 5,002 |
| Other loans | — | — |
| | <u>50,315</u> | <u>52,254</u> |
| Current portion | 1,521 | 1,000 |
| | <u>\$ 48,794</u> | <u>\$ 50,614</u> |

10. Principal payments required for the next five years, excluding the term loan, whose maturity date can be delayed annually, are as follows:

| | |
|------|----------|
| 2001 | \$ 1,521 |
| 2002 | \$ 2,063 |
| 2003 | \$ 5,989 |
| 2004 | \$ 168 |
| 2005 | \$ 368 |

11. a As at October 28, 2000, the balance of commitments under lease agreements for premises, automotive equipment and computer system amounts to \$19,659,952. The minimum rental payments for the next five years are as follows:

| | |
|------|----------|
| 2001 | \$ 6,731 |
| 2002 | \$ 4,928 |
| 2003 | \$ 3,242 |
| 2004 | \$ 2,099 |
| 2005 | \$ 1,416 |

- b The Company has provided letters of credit for total amounts of \$10,390,400 (\$6,800,000 US) maturing from November 2000 to March 2001.

12. Authorized

Unlimited number of Class A shares, entitled to ten votes per share. Each share is convertible, at the option of its holder, into one Class B subordinate share, without par value

Unlimited number of Class B subordinate shares, entitled to one vote per share, convertible under certain circumstances into Class A shares, without par value

Unlimited number of preferred shares, without par value and issuable in series

Issued

| | October 28, 2000 | October 31, 1999 |
|---|---------------------|---------------------|
| 3,550,567 Class A shares (1999 - 3,550,767) | \$ 5,135 | \$ 5,135 |
| 6,988,946 subordinate shares (1999 - 7,001,132) | 29,941 | 29,999 |
| | \$ 35,076 | \$ 35,134 |

a Transactions during the years

In 2000, issuance of 20,000 Class B subordinate shares pursuant to the stock option plan, for a cash consideration of \$80,000.

In 1999, issuance of 25,000 Class B subordinate shares pursuant to the stock option plan, for a cash consideration of \$100,000.

In 2000, issuance of 14 Class B subordinate shares upon redemption and conversion of \$100 of convertible debentures.

In 1999, issuance of 93,855 Class B subordinate shares upon redemption and the conversion of \$485,200 of convertible debentures.

In 2000, purchase of 200 Class A shares and 32,200 Class B subordinate shares for a cash consideration of \$1,013 and \$166,046 respectively. In 1999, purchase of 18,000 Class A shares and 299,400 Class B subordinate shares for a cash consideration of \$136,828 and \$1,525,547 respectively.

b Reserved shares

8,429,682 Class B subordinate shares have been reserved for the following:

745,000 for the stock option plan;

4,134,115 to cover the conversion rights related to the debentures described in Note 13;

3,550,567 to cover the conversion rights related to Class A shares.

12. SHARE CAPITAL (CONT.)

c. Stock option plan

Under the stock plan (the plan), options are granted to directors and officers at prices ranging from \$4 to \$7 per share and with maturity dates up to March 11, 2008.

As of October 28, 2000, 462,000 options were issued and outstanding as follows:

| Granting period | Exercise price, weighted-average | Number of options |
|-----------------|-------------------------------------|----------------------|
| 1999 | \$ 4.81 | 190,000 |
| 2000 | 5.47 | 272,000 |
| | \$ 5.20 | 462,000 |

During the year, the number of options has varied as follows:

| | October 28, 2000 | | October 31, 1999 | |
|---------------------------------|-------------------------------------|----------------------|-------------------------------------|----------------------|
| | Exercise price, weighted-average | Number of options | Exercise price, weighted-average | Number of options |
| Balance at beginning of year | \$ 4.79 | 235,000 | \$ 3.49 | 205,000 |
| Granted | 5.47 | 272,000 | | |
| Exercised | 4.00 | (20,000) | 4.00 | (20,000) |
| Cancelled | 5.25 | (25,000) | 4.75 | (25,000) |
| Balance at end of year | \$ 5.20 | 462,000 | | |
| Options exercisable at year-end | | 302,000 | | 235,000 |

13. CONVERTIBLE DEBENTURES

On July 21, 1994, the Company issued subordinated debentures with a par value of \$8,158,000, 8%, convertible at the holder's option into Class B subordinated shares at a conversion price of \$7 per share up to maturity date on August 4, 2004. The debentures are redeemable up to their maturity date at par plus accrued and unpaid interest provided that the weighted average trading price of the subordinate voting shares on Stock Exchange during the 20 consecutive trading days ending five days before the date on which the notice of redemption is given is at least \$8.75 from August 6, 1999 to August 4, 2001 and at \$7 thereafter. The Company may, at its option, pay the principal amount in freely tradeable subordinate shares.

On May 16, 1996, the Company issued an aggregate amount of \$19,000,000 in subordinated debentures, 7.25%, convertible at the holder's option into Class B subordinated shares at a conversion price of \$6.25 per share at any time prior to May 29, 2001 and at a conversion price of \$7.75 per share thereafter and up to maturity date on May 29, 2006. These debentures will not be redeemable prior to May 30, 2001. However, from May 29, 1999 to May 29, 2001, the debentures will be exchangeable at the Company's option for subordinate voting shares at par plus accrued and unpaid interest, provided that the weighted average trading price of the subordinate voting shares on Stock Exchange during the 20 consecutive trading days ending five days before the date on which the notice of exchange is given exceeds \$7.81. On May 30, 2001, they will be redeemable at par plus accrued and unpaid interest. After this date, these debentures will be redeemable, at par plus accrued and unpaid interest, provided that the weighted average trading price of the subordinate voting shares on Stock Exchange during the 20 consecutive trading days ending five days before the date on which the notice of redemption is given is at least \$9.69 from May 31, 2001 to May 29, 2003, and at \$7.75 thereafter. The Company may, as of May 30, 2001, at its option, pay the principal amount in freely tradeable subordinate shares.

The convertible debentures are presented according to their component parts. The financial liability component representing interest obligation is presented as a liability and the equity component representing the conversion option held by the holder and the settlement option in shares held by the Company is presented in shareholders' equity.

The interest expense related to the liability component is charged to income and the accretion related to the equity component is charged to retained earnings, net of income taxes.

The supplementary fully diluted net earnings per share, amounting to \$1.33 (1999, \$0.54), is determined taking into account the exercise of share purchase options and the settlement, at the beginning of the year, of all convertible debentures through the issuance of subordinated shares at their market value as at October 28, 2000 and October 31, 1999.

14. PENSION PLANS

The Company has defined benefit pension plans covering certain of its employees. The cost of pension benefits earned by employees is determined using the projected benefit method prorated on services.

Based on most recent actuarial calculations, as at October 31, 2000 (for the year ended October 28, 2000) and October 31, 1999 (for the year ended October 31, 1999), the information related to these defined benefit pension plans can be summarized as follows:

| | October 28, 2000 | October 31, 1999 |
|---|---------------------|---------------------|
| Accrued benefit obligation | | |
| Accrued benefit obligation, beginning of year | \$ 3,537 | \$ 3,160 |
| Adjustment resulting from applying new accounting recommendations | 716 | — |
| Accrued benefit obligation, as adjusted | 4,253 | 3,160 |
| Current service cost | 156 | 117 |
| Employees' contributions | 57 | 55 |
| Interest cost | 307 | 192 |
| Benefits paid | (162) | (159) |
| Changes in benefits | — | 178 |
| Accrued benefit obligation, end of year | \$ 4,611 | \$ 3,537 |
| Plan assets | | |
| Fair value of plan assets, beginning of year | \$ 4,178 | \$ 3,393 |
| Actual return on plan assets | 777 | 510 |
| Employer contributions | 272 | 448 |
| Employees' contributions | 57 | 55 |
| Benefits paid | (162) | (159) |
| Expenses paid | — | (69) |
| Fair value of plan assets, end of year | \$ 5,122 | \$ 4,178 |
| Accrued benefit asset | | |
| Plan surplus | \$ 511 | \$ 641 |
| Unamortized actuarial gains | (436) | (641) |
| Accrued benefit asset | \$ 75 | \$ — |

The most important actuarial assumptions used in order to evaluate the accrued benefit obligations can be summarized as follows:

| | October 28, 2000 | October 31, 1999 |
|--|---------------------|---------------------|
| Discount rate | 7.00% | 6.00% |
| Expected long-term rate of return on plan assets | 8.00% | 6.00% |
| Rate of compensation increase | 3.50% | N/A |

The net expense for the Company's benefit plans is as follows:

| | October 28, 2000 | October 31, 1999 |
|--------------------------------|---------------------|---------------------|
| Employer current service cost | \$ 156 | \$ 117 |
| Interest cost | 307 | 192 |
| Expected return on plan assets | (341) | (206) |
| Net benefit plan expense | \$ 122 | \$ 103 |

15. RELATED PARTY TRANSACTIONS

During the years, the Company has concluded the following transactions with related companies:

| | October 28, 2000 | October 31, 1999 |
|---|---------------------|---------------------|
| Parent company | | |
| Administrative expenses | \$ 400 | |
| Company subject to significant influence: | | |
| Sales and other revenues | \$ 153 | \$ 45 |
| Purchases and other fees | \$ 4,473 | \$ 2,926 |
| Rental income | \$ 468 | \$ 360 |
| Rent | \$ 306 | \$ 396 |
| Companies controlled by close relatives of two directors: | | |
| Sales and other revenues | \$ 5,208 | \$ 5,331 |
| Purchases and other fees | \$ 1,014 | \$ 1,806 |
| Rental income | \$ 66 | \$ 78 |

As at October 28, 2000, the amount receivable of \$795,712 (1999 - \$1,102,811) and the amount payable of \$939,659 (1999 - \$811,706) in relation to these transactions, are included in accounts receivable and accounts payable.

These transactions are in the normal course of operations and are measured at the exchange amount.

16. SEGMENTED INFORMATION

| Geographic segments October 28, 2000 | Canada | United States | Eliminations | Consolidated |
|--|------------|---------------|--------------|--------------|
| External revenues | \$ 469,229 | \$ 211,732 | \$ - | \$ 680,961 |
| Disposal between geographic segments | 18,658 | 1,247 | (19,905) | - |
| Sales | \$ 487,887 | \$ 212,979 | \$ (19,905) | \$ 680,961 |
| Interest income | \$ (81) | \$ (749) | \$ 505 | \$ (325) |
| Interest expense | 11,142 | 3,504 | (505) | 14,141 |
| Net interest expense | \$ 11,061 | \$ 2,755 | \$ - | \$ 13,816 |
| Amortization | \$ 6,634 | \$ 1,353 | \$ - | \$ 7,987 |
| Income taxes | \$ 12,076 | \$ 3,164 | \$ - | \$ 15,240 |
| Share in earnings of the Company subject to significant influence | \$ 110 | \$ - | \$ - | \$ 110 |
| Net income | \$ 15,015 | \$ 5,573 | \$ - | \$ 20,588 |
| Segmented assets | \$ 292,050 | \$ 106,482 | \$ - | \$ 398,532 |
| Segmented capital expenditures | \$ 11,869 | \$ 1,904 | \$ - | \$ 13,773 |

16. SEGMENTED INFORMATION (CONT.)

| Geographic segments | Canada | United States | Eliminations | Consolidated |
|--|------------|---------------|--------------|--------------|
| External revenues | \$ 408,003 | \$ 178,908 | \$ — | \$ 586,911 |
| Disposal between geographic segments | 18,429 | 832 | (19,261) | — |
| Sales | \$ 426,432 | \$ 179,740 | \$ (19,261) | \$ 586,911 |
| Interest income | \$ (270) | \$ (429) | \$ 79 | \$ (610) |
| Interest expense | 8,095 | 2,939 | (79) | 10,935 |
| Net interest expense | \$ 7,825 | \$ 2,500 | \$ — | \$ 10,325 |
| Amortization | \$ 4,374 | \$ 1,287 | \$ — | \$ 5,661 |
| Income taxes | \$ 7,296 | \$ (273) | \$ — | \$ 7,522 |
| Share in earnings of the Company subject to significant influence | \$ 37 | \$ — | \$ — | \$ 37 |
| Net income | \$ 10,090 | \$ (1,839) | \$ — | \$ 8,251 |
| Segmented assets | \$ 271,996 | \$ 80,870 | \$ — | \$ 352,868 |
| Segmented capital expenditures | \$ 25,475 | \$ 1,202 | \$ — | \$ 26,377 |

The Company derives its revenues primarily from the distribution of steel. The reportable segments of Leroux Steel Inc. are operating units managed on a geographical basis. The operating units with similar economic characteristics have been aggregated into larger geographical sectors, according to the disparities of the target markets.

The officers of the Company assess the performance of the operating units aggregated by sector based on net income.

The accounting policies used to determine segment profit or loss and measure segment assets are the same as those described in the summary of significant accounting policies.

17. FINANCIAL INSTRUMENTS

a. Foreign exchange risk

The Company realizes a significant portion of its activities in foreign currencies and enters into foreign exchange contracts in order to manage its foreign exchange risk. As at October 28, 2000, the Company is committed to sell under foreign exchange contracts US\$5,000,000 for Canadian dollars at an average rate of \$1.50 over a period extending up to January 5, 2001.

In addition, the Company is exposed to foreign exchange risk due to sales by a subsidiary on the American market. This risk has been mitigated by the purchases and the operating charges incurred in US currency.

As at October 28, 2000, assets and liabilities include the following amounts transacted in US currency.

| | |
|---------------------|-----------|
| Accounts receivable | \$ 29,476 |
| Accounts payable | \$ 23,280 |
| Bank loans | \$ 29,230 |

b. Credit risk

The Company provides credit to its clients in the normal course of its operations. It carries out, on a continuing basis, credit evaluations of its clients and reviews the credit background of new clients. The Company is not exposed to any significant risk with respect to a single client.

c. Fair value of financial instruments

The fair market value of accounts receivable, bank overdraft, bank loans and accounts payable approximates their book value due to their forthcoming maturities.

The fair market value of items included in the long-term debt approximates their book value since most of them are bearing interest at floating rates or at fixed rates comparable to market rates.

The fair value of the liability component of convertible subordinated debentures, based on the discounted value of future cash flows at the interest rate available to the Company for a loan with similar terms and conditions and a similar maturity date at the balance sheet date, is \$8,878,000 (1999 - \$10,077,000).

18. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the presentation used in the current year.

10-year financial retrospective

(except per-share and other data as noted)

| | October 28 2000 | 1999 | 1998 | 1997 | 1996 |
|---|--------------------|------------|------------|------------|------------|
| Financial performance | | | | | |
| Shipments (in tons) | 871,760 | 796,345 | 615,800 | 500,400 | 411,600 |
| Sales | \$ 680,961 | \$ 586,911 | \$ 495,385 | \$ 370,649 | \$ 311,450 |
| Average selling price (\$/ton) | \$ 781 | \$ 737 | \$ 804 | \$ 740 | \$ 757 |
| EBITDA | \$ 57,631 | \$ 31,759 | \$ 33,441 | \$ 21,039 | \$ 21,559 |
| Net earnings | \$ 20,588 | \$ 8,150 | \$ 12,064 | \$ 9,779 | \$ 9,687 |
| Return on average equity (%) | 16.4% | 7.8% | 11.8% | 10.7% | 12.9% |
| Cash flow | \$ 29,241 | \$ 14,011 | \$ 17,697 | \$ 13,244 | \$ 12,918 |
| Financial position | | | | | |
| Total assets | \$ 398,532 | \$ 352,868 | \$ 315,949 | \$ 243,892 | \$ 175,379 |
| Long-term debt ¹ | \$ 50,315 | \$ 52,455 | \$ 52,525 | \$ 37,299 | \$ 21,901 |
| Convertible debentures (liability) ¹ | \$ 7,467 | \$ 8,526 | \$ 9,615 | \$ 10,459 | \$ 11,212 |
| Total indebtedness ² | \$ 164,707 | \$ 154,908 | \$ 144,087 | \$ 86,127 | \$ 44,016 |
| Equity | \$ 136,327 | \$ 114,213 | \$ 108,276 | \$ 96,455 | \$ 86,022 |
| Per-employee data | | | | | |
| Number of employees at year-end | \$ 1,127 | 1,115 | 947 | 817 | 579 |
| Shipments per employee (in tons) ³ | 753 | 764 | 712 | 735 | 764 |
| Sales per employee ³ | \$ 589 | \$ 568 | \$ 573 | \$ 443 | \$ 578 |
| EBITDA per employee ³ | \$ 50.0 | \$ 30.5 | \$ 38.6 | \$ 30.8 | \$ 40.0 |
| Assets per employee ⁴ | \$ 325 | \$ 316 | \$ 334 | \$ 299 | \$ 303 |
| Per-share data | | | | | |
| Net earnings | | | | | |
| Basic | \$ 1.90 | \$ 0.72 | \$ 1.05 | \$ 0.83 | \$ 0.83 |
| Fully diluted | \$ 1.41 | \$ 0.59 | \$ 0.82 | \$ 0.67 | \$ 0.72 |
| Cash flow | \$ 2.78 | \$ 1.31 | \$ 1.50 | \$ 1.18 | \$ 1.14 |
| Book value ⁵ | \$ 11.12 | \$ 9.11 | \$ 8.44 | \$ 7.13 | \$ 6.22 |
| Market price | | | | | |
| LER.A | | | | | |
| High | \$ 9.00 | \$ 7.15 | \$ 8.50 | \$ 7.85 | \$ 6.50 |
| Low | \$ 4.50 | \$ 4.10 | \$ 7.00 | \$ 7.00 | \$ 5.50 |
| LER.B | | | | | |
| High | \$ 7.50 | \$ 6.00 | \$ 7.50 | \$ 5.25 | \$ 5.25 |
| Low | \$ 3.80 | \$ 3.80 | \$ 4.70 | \$ 4.00 | \$ 4.15 |
| LER.DB | | | | | |
| High | \$ 115.00 | \$ 102.50 | \$ 115.00 | \$ 115.00 | \$ 114.00 |
| Low | \$ 93.00 | \$ 94.00 | \$ 100.35 | \$ 99.00 | \$ 99.25 |
| LER.DB.A | | | | | |
| High | \$ 119.50 | \$ 105.00 | \$ 117.50 | \$ 118.00 | \$ 101.50 |
| Low | \$ 95.00 | \$ 95.00 | \$ 100.00 | \$ 93.00 | \$ 95.00 |

| | 1975 | 1976 | 1977 | 1978 | 1979 | 1980 |
|----|---------|------------|-----------|-----------|-----------|-----------|
| | 403,000 | 238,000 | 250,000 | 244,000 | 271,000 | 264,000 |
| \$ | 305,327 | \$ 161,881 | \$ 86,644 | \$ 62,638 | \$ 11,111 | \$ 54,079 |
| \$ | 758 | \$ 681 | \$ 578 | \$ 380 | \$ 612 | \$ 644 |
| \$ | 21,740 | \$ 21,216 | \$ 22,514 | \$ 21,400 | \$ 21,400 | \$ 21,400 |
| \$ | 12,327 | \$ 6,496 | \$ 1,432 | \$ 92 | \$ (489) | \$ 304 |
| | 23.4% | 20.6% | 8.5% | 0.8% | (4.3)% | 2.6% |
| \$ | 14,756 | \$ 7,000 | \$ 1,324 | \$ 1,015 | \$ 1,015 | \$ 1,500 |
| \$ | 161,812 | \$ 127,872 | \$ 10,000 | \$ 10,000 | \$ 10,000 | \$ 10,000 |
| \$ | 19,671 | \$ 11,339 | \$ 8,710 | \$ 9,678 | \$ 10,000 | \$ 11,390 |
| \$ | 3,408 | \$ 1,000 | \$ 1,000 | \$ 1,000 | \$ 1,000 | \$ 1,000 |
| \$ | 14,000 | \$ 58,457 | \$ 10,000 | \$ 10,000 | \$ 10,000 | \$ 22,337 |
| \$ | 62,117 | \$ 41,024 | \$ 10,000 | \$ 10,000 | \$ 10,000 | \$ 11,514 |
| | 532 | 400 | 200 | 181 | 100 | 100 |
| | 321 | 100 | 100 | 628 | 100 | 100 |
| \$ | 622 | \$ 100 | \$ 100 | \$ 100 | \$ 100 | \$ 100 |
| \$ | 522 | \$ 100 | \$ 100 | \$ 221 | \$ 100 | \$ 100 |
| \$ | 302 | \$ 200 | \$ 200 | \$ 264 | \$ 100 | \$ 100 |
| \$ | 1.21 | \$ 0.90 | \$ 0.31 | \$ 0.30 | \$ 0.30 | \$ 0.30 |
| \$ | 1.01 | \$ 0.77 | \$ 0.30 | \$ 0.30 | \$ 0.30 | \$ 0.30 |
| \$ | 1.45 | \$ 1.10 | \$ 0.59 | \$ 0.38 | \$ 0.30 | \$ 0.30 |
| \$ | 5.60 | \$ 4.00 | \$ 1.00 | \$ 1.00 | \$ 1.00 | \$ 1.00 |
| \$ | 3.00 | \$ 1.00 | \$ 1.00 | \$ 1.00 | \$ 1.00 | \$ 1.00 |
| \$ | 5.88 | \$ 4.60 | \$ 1.80 | \$ 1.00 | \$ 1.00 | \$ 1.00 |
| \$ | 5.50 | \$ 4.00 | \$ 5.00 | \$ 5.00 | \$ 5.00 | \$ 5.00 |
| \$ | 4.20 | \$ 4.00 | \$ 5.00 | \$ 5.00 | \$ 5.00 | \$ 5.00 |
| \$ | 114.00 | \$ 117.00 | \$ 117.00 | \$ 117.00 | \$ 117.00 | \$ 117.00 |
| \$ | 99.00 | \$ 99.00 | \$ 99.00 | \$ 99.00 | \$ 99.00 | \$ 99.00 |

1. Including current portion

2. Including long-term debt, bank loans and overdraft, and the liability component of convertible debentures

3. Based on the weighted average number of employees in service during the year

4. Based on the number of employees at year-end

5. Excluding the equity component of convertible debentures

directors and officers



BOARD OF DIRECTORS

**Chairman of the Board
and Chief Executive Officer**
Leroux Steel Inc.

**Vice-President
and General Manager**
*Foam Systems Business,
Owen-Corning, Canada Inc.*

President
Jean Béliveau Inc.

**President
and Chief Executive Officer**
The Canam Manac Group Inc.

Lawyer
Desjardins, Ducharme,
Stein, Monast

Chairman of the Board
Groupe Bellechasse Santé

Lawyer
McInnes, Cooper & Robertson

Executive Vice-President
Datamark Inc.

HEAD OFFICE MANAGEMENT

Leroux Steel Inc. Corporate

**Chairman of the Board
and Chief Executive Officer**

Chief Financial Officer

**Regional Vice-President,
Quebec**

**Regional Vice-President,
Ontario & Maritimes**

**Vice-President,
and General Counsel
Assistant Corporate
Secretary**

**Vice-President,
Sales & Marketing,
Canada**

**Vice-President,
Corporate Purchasing**

**Vice-President,
Human Resources**

Corporate Secretary

**Regional Manager,
Quebec Production**

**Information System
Manager**

Risks Administrator

**Regional Manager,
Human Resources,
Quebec & Maritimes**

**Regional Manager,
Human Resources,
Ontario**

**Finance Manager,
Canada**

* Member of the audit committee

† Member of the compensation committee and the corporate governance committee

AMOS DIVISION

Jacques Lalancette
General Manager

BAIE-COMEAU DIVISION

Jocelyn Bolly
General Manager

BOUCHERVILLE DIVISION

François Courtois
General Manager

CAMBRIDGE DIVISION

Tom Donachey
General Manager

CHICOUTIMI DIVISION

Jocelyn Bolly
General Manager

ENNISTEEL DIVISION

Keith Arbour
General Manager

HALIFAX DIVISION

Gregg Bryant
General Manager

ACIER LOUBIER DIVISION

Michel Poirier
General Manager

MÉGANTIC MÉTAL DIVISION

Nelson Vachon
General Manager

OTTAWA DIVISION

Peter Maher
General Manager

QUEBEC DIVISION

Louis-André Fortin
General Manager

RIMOUSKI DIVISION

Luc Amiot
General Manager

SEPT-ÎLES DIVISION

Jocelyn Bolly
General Manager

SACKVILLE DIVISION

Susan Hunter
General Manager

TERREBONNE DIVISION

Michel Vaillancourt
General Manager

ARMABEC INC.

Longueuil
Gilbert Pineault
General Manager

RICHLER STEEL CORPORATION

Boucherville
Pierre Vigneault
General Manager

DELTA JOISTS INC.

Ste-Marie-de-Beauce
Gilles Lachance
President

DELTA STEEL JOIST, INC.

Woburn, Massachusetts
Vincent R. Ferlisi
Sales Manager

TRANSFO-MÉTAL INC.

Boucherville
Jacques Couture
Production Manager

FEDERAL PIPE AND STEEL CORPORATION

Gilles Leroux
President

Sylvain Gagneau
Executive Vice-President

Kenneth Black
Finance & Administrative
Manager

Danny Davis
Purchasing Manager

BLYTHEVILLE DIVISION

Paul Soda
Operations Manager

CHICAGO DIVISION

David VonHolst
General Manager

DETROIT DIVISION

Michael Dean
General Manager

MANCHESTER DIVISION

Gerry Larose
General Manager

**PLATTSBURGH/
SCHENECTADY DIVISION**

Jeffrey J. Sears
General Manager

SOUTH PLAINFIELD DIVISION

Dean Reiman
General Manager

LEROUX STEEL INC.

AMAS DIVISION

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NOTRE-DAMIER DIVISION

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C.P. 22
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RLMOUSKI DIVISION

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RICHLER STEEL CORPORATION

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Ste-Marie-de-Beauce, Québec
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DELTA STEEL JOIST, INC.

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01801 U.S.A.

TRANSFO-MÉTAL INC.

1300, rue Graham-Bell
Boucherville, Québec
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FEDERAL PIPE & STEEL CORPORATION

BLYTHEVILLE DIVISION

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Blytheville, Arkansas
72315 U.S.A.

CHICAGO DIVISION

521 First Street
Peotone, Illinois
60468 U.S.A.

DETROIT DIVISION

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Plymouth, Michigan
48170 U.S.A.

MANCHESTER DIVISION

300 Gay Street
Manchester, New Hampshire
03103 U.S.A.

PLATTSBURGH DIVISION

4 Martina Circle
Plattsburgh, New York
12901 U.S.A.

SCHENECTADY DIVISION

301 Nott Street
Schenectady, New York
12305 U.S.A.

SOUTH PLAINFIELD DIVISION

2 Lakeview Ave.
Piscataway, New Jersey
08854 U.S.A.

corporate information

Leroux Steel Inc.

PRINCIPAL FINANCIAL INSTITUTION

National Bank of Canada
Caisse Centrale Desjardins
Scotia Bank
Royal Bank of Canada
Laurentian Bank of Canada
Bank One

TRANSFER AGENT AND REGISTRAR

General Trust of Canada

LEGAL COUNSEL

Desjardins Ducharme Stein Monast
General Partnership
Lawyers

AUDITORS

Arthur Andersen & Cie
General Partnership
Chartered Accountants

INVESTOR RELATIONS AND FINANCIAL COMMUNICATIONS

Maison Brison Inc.

ANNUAL GENERAL MEETING OF SHAREHOLDERS

March 20, 2001 at 11:00 a.m.
Holiday Inn, Crown Plaza
Salon Ambassadeur B & C
420 Sherbrooke Street West
Montreal, Québec



Written, designed and produced by: Maison Brison Inc.
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